



Puget Sound Energy
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December 30, 2022

Filed Via Web Portal

Ms. Amanda Maxwell, Executive Director and Secretary
 Washington Utilities and Transportation Commission
 621 Woodland Square Loop SE
 Lacey, WA 98503

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 State Of WASH.
 UTIL. AND TRANSP.
 COMMISSION

**Re: PSE Conjunctive Demand Service Option Pilot Program Compliance Filing
 Per §597 and §790 of Order 08 of Dockets UE-190529 and UG-190530 (consolidated)**

Dear Ms. Maxwell:

Puget Sound Energy (“PSE”) hereby submits within this letter its compliance report in accordance with §597 and §790 of Order 08 of consolidated Dockets UE-190529 and UG-190530 (“Order 08”). In these two paragraphs, the Washington Utilities and Transportation Commission (“Commission”) outlined certain compliance reporting requirements of PSE’s Conjunctive Demand Service Option (“CDSO”) pilot program (“Pilot”). This Pilot allows certain customers with multiple locations taking electric service under Schedule 26¹ or 31² to pay a discounted peak demand charge based on the coincidental peak of all their elected metered locations in place of being charged as part of their individual account peak demand charge at each locations.

The Commission required in §597 and §790 of Order 08 that PSE to file a report addressing the following requirements within 18 months of the Pilot’s implementation.

- §597 of Order 08
“We also require PSE to provide documentation showing whether the revenue requirement for Schedule 26 and Schedule 31 customers has increased or declined over time and whether Schedule 26 and Schedule 31 customers are recovering their share of revenue. PSE should provide its best information as to the number of electric vehicles that use charging facilities offered by Schedule 26 or Schedule 31, and the approximate

¹ Schedule 26, Large Demand General Service, for commercial or industrial customers with demand greater than 350 kW, service delivery at secondary or primary voltage.

² Schedule 31, Primary General Service, for commercial or industrial customers with delivery at primary voltage with customer-provided all transformation and facilities beyond the point of delivery.

electric load used by those customers. PSE should file a report addressing these issues within 18 months of the Pilot's implementation."

- Restated at §790 of Order 08

"The Commission should require PSE to provide documentation showing whether the revenue requirement for Schedule 26 and Schedule 31 customers has increased or declined over time and whether Schedule 26 and Schedule 31 customers are recovering their share of revenue. PSE should provide its best information as to the number of electric vehicles that use charging facilities offered by Schedule 26 or Schedule 31, and the approximate electric load used by those customers. PSE should be required to file a report addressing these issues within 18 months of the Pilot's implementation."

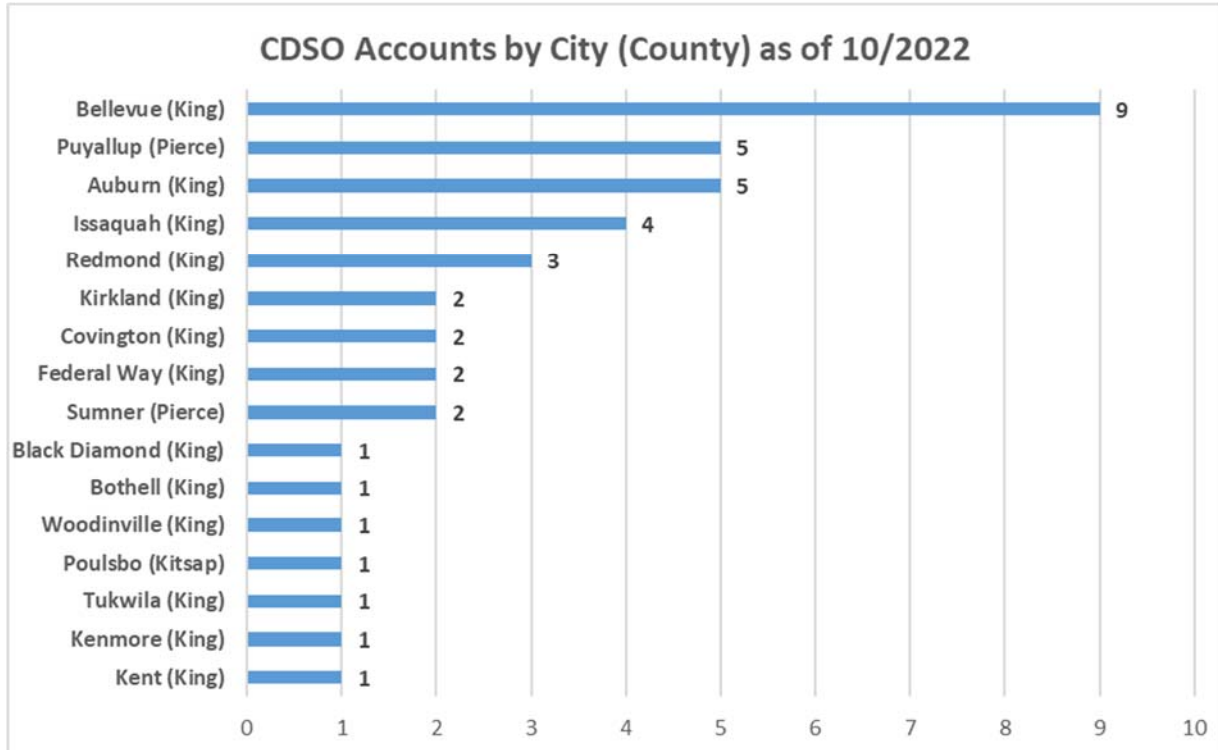
CDSO Pilot Implementation

On July 8, 2020, in Order 08, the Commission approved the Pilot as proposed by PSE, but required additional reporting to clarify the purpose and scope of the Pilot and track the Pilot's progress. On July 6, 2021, the Commission issued a compliance acknowledgment letter to all parties of Order 08 to confirm that PSE has complied with the expectation set forth in Order 08 regarding the Pilot reporting and PSE may implement the Pilot. In September of 2021, PSE began enrolling Schedule 26 and Schedule 31 customers to take service on the CDSO rates.

PSE currently has eight aggregated Schedule 26 CDSO customers with accounts in 33 locations and three aggregated Schedule 31 CDSO customers with accounts in eight locations. These 41 CDSO accounts are in various business such as retail, wholesale, manufacturing, and public services.

Most of the CDSO accounts are located in King County as shown in the following figure.

Figure No. 1: Count and percentage of CDSO Accounts by City as of October 31, 2022



Customers participating in the Pilot have seen bill savings on demand charges ranging from 8% to 30% under Schedule 26 CDSO and from 12% to 37% under Schedule 31. These bill savings are estimated based upon the sum of the differences of all actual monthly demand charges and monthly demand charges that would have been had these customers not opted-into the Pilot. As of the end of October 2022, most of the CDSO customers have been invoiced for over one year. For comparison purposes to an annual revenue requirement, their demand charge differences are annualized. The estimated total annualized bill savings are \$423,465: \$285,093 for the eight Schedule 26 CDSO customers and \$138,372 for the three Schedule 31 CDSO customers.

Electric Vehicles and the Pilot

As of December of 2022, PSE does not have any CDSO customers or accounts that are using their Schedule 26 or 31 service dedicated to electric vehicle (“EV”) charging. Therefore, PSE does not have information to be included in this report as to the number of EVs or the approximate electric EV load used by those customers. However, since November 29, 2022, PSE has been working with two potential Schedule 26 customers, with locations dedicated to EV load, to facilitate their election of this optional service.

CDSO Revenue Requirement Implication

The revenue requirement for Schedule 26 and Schedule 31 were not adjusted in the consolidated general rate case Dockets UE-190529 and UG-190529 UE- 190529 (“2019 GRC”) for any potential changes to revenues caused by the Pilot participation. A core aspect of what the CDSO Pilot is intended to measure are impacts on the ability to achieve the allowed revenue requirement allocated to the Schedules 26 and 31. Any subsequent changes to CDSO customers’ usage behavior on participating on the Pilot would inform any potential for revenue erosion. In aggregate, PSE assumes that aforementioned bill savings CDSO customers experienced would suggest that the revenue requirement established in 2019 GRC is not being achieved by a commensurate amount.

For illustration purposes, the following figures show only the revenue side of the potential implications of the CDSO bill savings would have based on the PSE’s revenue requirement pertaining to the entire class of Schedule 26 and 31 customers. These overall Schedule 26 and 31 electric service revenue requirements and associated allocations to individual rate schedules are as those determined in the adjusted proforma revenue requirement (for test year January 2018-December 2018) of PSE’s electric compliance filing as accepted the Commission in its Order 12 of the 2019 GRC dated October 12, 2020.

Figure No. 2: Illustrated Revenue Requirement Implications of Schedule 26 CDSO Billing Savings

Puget Sound Energy - Electric Division				
UE-190529 Adjusted Test Year Twelve Months ended December 2018 @ Proforma Rev Requirement (Compliance PLR)				
Summary of Cost of Service Study Results				
Line No.	Revenue Requirement Summary	Sec Svc 26 /26P	CDSO Bill Saving of \$285.093	Sec Svc 26 /26P w/ CDSO Bill Saving of \$285.093
1	Rate Base			
2	Plant in Service	\$ 733,876,905		\$ 733,876,905
3	Accumulated Reserve	(293,857,232)		(293,857,232)
4	Other Rate Base Items	(67,642,810)		(67,642,810)
5	Total Rate Base	\$ 372,376,863		\$ 372,376,863
6	Revenue at Current Rates			
7	Firm Sales	160,178,135	\$285,093	159,893,042
8	Non-Firm Sales	813,436		813,436
9	Other Operating Revenue	5,233,657		5,233,657
10	Total Revenue at Current Rates	\$ 166,225,228		\$ 165,940,135
11	Expenses at Current Rates			
12	Operation and Maintenance	\$ 91,448,223		\$ 91,448,223
13	Depreciation Expense	31,767,882		31,767,882
14	Taxes Other Than Income	6,312,581		6,312,581
15	Income Taxes	1,666,531		1,666,531
16	Total Expenses at Current Rates	\$ 131,195,216		\$ 131,195,216
17	Operating Income at Current Rates	\$ 35,030,012		\$ 34,744,919
18	Current Rate of Return	9.41%		9.33%
19	Revenue Requirement at Equal Rates of Return			
20	Required Return	9.41%		9.41%
21	Required Operating Income	\$ 35,030,012		\$ 35,030,012
22	Operating Income (Deficiency)/Surplus	\$ -		\$ (285,093)

Figure No. 3: Illustrated Revenue Requirement Implications of Schedule 31 CDSO Billing Savings

Puget Sound Energy - Electric Division				
UE-190529 Adjusted Test Year Twelve Months ended December 2018 @ Proforma Rev Requirement (Compliance PLR)				
Summary of Cost of Service Study Results				
Line No.	Revenue Requirement Summary	Pri Svc 31	CDSO Bill Saving of	Pri Svc 31 w/ CDSO Bill Saving of
1	Rate Base			
2	Plant in Service	\$ 539,364,234		\$ 539,364,234
3	Accumulated Reserve	(212,913,785)		(212,913,785)
4	Other Rate Base Items	(50,025,648)		(50,025,648)
5	Total Rate Base	\$ 276,424,800		\$ 276,424,800
0				
6	Revenue at Current Rates			
7	Firm Sales	113,234,148	\$138,372	113,095,776
8	Non-Firm Sales	567,748		567,748
9	Other Operating Revenue	4,184,807		4,184,807
10	Total Revenue at Current Rates	\$ 117,986,703		\$ 117,848,331
11	Expenses at Current Rates			
12	Operation and Maintenance	\$ 65,836,159		\$ 65,836,159
13	Depreciation Expense	24,162,260		24,162,260
14	Taxes Other Than Income	4,625,645		4,625,645
15	Income Taxes	1,237,108		1,237,108
16	Total Expenses at Current Rates	\$ 95,861,172		\$ 95,861,172
				-
17	Operating Income at Current Rates	\$ 22,125,531		\$ 21,987,158
				\$ -
18	Current Rate of Return	8.00%		7.95%
19	Revenue Requirement at Equal Rates of Return			
20	Required Return	8.00%		8.00%
21	Required Operating Income	\$ 22,125,531		\$ 22,125,531
22	Operating Income (Deficiency)/Surplus	\$ -		\$ (138,372)

The estimated annual CDSO bill savings of \$285,093 for Schedule 26 and \$138,372 for Schedule 31 would decrease the revenue in the same amounts for the two schedules, respectively. The rate of return, therefore, would be reduced from 9.41% to 9.33% for Schedule 26 and from 8.00% to 7.85% for Schedule 31. That is, the operating income deficiency would be increased by \$285,093 for Schedule 26 and by \$138,372 for Schedule 31. These operating income

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deficiencies would be covered by PSE or other the ratepayers depending on the time of a general rate case.

Please contact Mei Cass at 425-462-3800 for additional information about this filing. If you have any other questions, please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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